

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



TESTIMONY OF THE DISTRICT OF COLUMBIA INSPECTOR GENERAL
CHARLES J. WILLOUGHBY

BEFORE THE COMMITTEE ON GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

APRIL 28, 2006

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO DISCUSS ISSUES THAT RELATE TO THE CONTINUING EFFORTS BY THE DISTRICT OF COLUMBIA TO IMPROVE ITS PUBLIC SCHOOL SYSTEM. MANY OF THESE ISSUES HAVE BECOME PART OF OUR AUDIT AGENDA. MY TESTIMONY TODAY WILL OUTLINE PAST AUDITS THAT ADDRESS SYSTEMIC DEFICIENCIES, SUMMARIZE INVESTIGATIVE MATTERS, AND ADDRESS OUR COMMITMENT TO PLACE A HIGH PRIORITY ON AUDITING SCHOOL OPERATIONS THAT RELATE TO FINANCIAL AND PERFORMANCE ISSUES. SITTING WITH ME AT THE TABLE IS MR. WILLIAM J. DIVELLO, ASSISTANT INSPECTOR GENERAL FOR AUDITS. ALSO ACCOMPANYING ME TODAY ARE MR. SALVATORE D. GULI, DIRECTOR FOR TECHNICAL MATTERS AND FIELD OPERATIONS; AND MS. MONICA GRAVES, DIRECTOR FOR SCHOOL AUDITS.

PERSPECTIVE

AS YOU ARE WELL AWARE, THE D.C. PUBLIC SCHOOLS (DCPS) SPENDS IN EXCESS OF \$1 BILLION ANNUALLY AND HAS ONE OF THE LARGEST PER CAPITA STUDENT EXPENDITURE RATIOS IN THE NATION, WITH A COST ESTIMATE OF \$10,140 PER STUDENT FOR FISCAL YEAR 2007. OF THE MORE THAN \$1 BILLION SPENT ON EDUCATION PROGRAMS, ABOUT 40 PERCENT OF SCHOOL FUNDS COME FROM STATE EDUCATION ASSISTANCE AND FEDERAL GRANT PROGRAMS. WITH A SCHOOL BUDGET OF THIS SIZE, THE POTENTIAL EXISTS FOR SIGNIFICANT WASTE AND MISUSE OF THESE PUBLIC EDUCATION DOLLARS. WHILE OUR AUDIT EFFORTS HAVE SUCCESSFULLY IDENTIFIED LAPSES AND NEEDED IMPROVEMENTS IN VARIOUS PROGRAMS, MUCH REMAINS TO BE DONE TO IMPROVE THE DELIVERY OF VITAL EDUCATION SERVICES AND TO DERIVE THE

GREATEST BENEFITS FROM EDUCATION RESOURCES. ACCORDINGLY, WE HAVE IDENTIFIED PUBLIC SCHOOLS AS ONE OF THE FIVE HIGH RISK PROGRAMS CHALLENGING DISTRICT GOVERNANCE.

IN THE PAST SEVERAL YEARS, MY OFFICE HAS INCREASINGLY DEVOTED AUDIT RESOURCES TO ADDRESS EMERGENT AND LONG-STANDING ISSUES FACING THE DISTRICT'S EDUCATION SYSTEM. THESE ISSUES INCLUDE SPECIAL EDUCATION, PROCUREMENT AND CONTRACT ADMINISTRATION, PAYROLL, SECURITY, INFORMATION TECHNOLOGY, HUMAN CAPITAL AND GRANTS MANAGEMENT. FOR EXAMPLE, IT WAS A LITTLE MORE THAN 5 YEARS AGO THAT OUR OFFICE ISSUED A DETAILED REPORT ON THE COSTLY SCHEDULING METHODS USED TO TRANSPORT THE DISTRICT'S SPECIAL EDUCATION STUDENTS. WE BELIEVE THAT THE PROBLEMS NOTED THEN STILL EXIST TO THIS DAY. WE ARE NOT SUGGESTING THAT SCHOOL OFFICIALS ARE PASSIVE TO OUR AUDIT RECOMMENDATIONS, BUT THE POINT IS MADE TO SHOW THAT SOME PROBLEMS, NOTED IN THE PAST, REMAIN UNRESOLVED. IN FACT, WE BELIEVE THE CURRENT SCHOOL ADMINISTRATION IS PROACTIVELY FOCUSED ON RESOLVING THE MYRIAD OF PROBLEMS FACING DCPS, AND ACTIVELY INTERESTED IN OUR AUDIT WORK. DCPS INTEREST IN OUR AUDIT WORK WAS EXEMPLIFIED BY THE SUPERINTENDENT'S PARTICIPATION IN OUR ANNUAL AUDIT PLANNING CONFERENCE AND THE TOPICS THE SUPERINTENDENT PRESENTED AS ISSUE AREAS FOR OUR AUDIT PLANNING PURPOSES. WHILE WE WILL EXPAND THE ISSUE AREAS COVERED BY FUTURE SCHOOL AUDITS, MOST RECENTLY MY AUDIT DIVISION HAS FOCUSED LARGELY ON SCHOOL SECURITY ISSUES.

SCHOOL SECURITY

ONE OF THE MORE PROBLEMATIC ISSUES FACING SCHOOLS ACROSS THE NATION IS THE DIFFICULT TASK OF ENSURING WHAT IS PERHAPS MOST FUNDAMENTAL TO THE LEARNING ENVIRONMENT – STUDENT AND FACULTY SAFETY AND SECURITY. WORKING WITH SCHOOL OFFICIALS, WE HAVE COMPLETED A SERIES OF AUDITS DURING THE PAST FEW FISCAL YEARS THAT ADDRESSED SCHOOL SECURITY ISSUES IN THE FOLLOWING RELATED AREAS:

- USE OF HOMELAND SECURITY FUNDS AT DCPS. THIS AUDIT LOOKED INTO WHETHER THE DCPS MADE USE OF ALL AVAILABLE FEDERAL HOMELAND SECURITY FUNDS. WE FOUND THAT DCPS HAD MISMANAGED AN OPPORTUNITY TO USE ABOUT \$6 MILLION IN HOMELAND SECURITY FUNDING.
- DCPS'S PROCUREMENT OF SCHOOL SECURITY SERVICES. WE PERFORMED TWO AUDITS THAT EXAMINED THE EFFICIENCY AND

EFFECTIVENESS OF DCPS'S PROCUREMENT OF SECURITY GUARD SERVICES, FINDING WASTEFUL PROCUREMENT PRACTICES RANGING IN THE MILLIONS OF DOLLARS, AND OTHER PROBLEMS ASSOCIATED WITH THE SECURITY GUARD CONTRACTS.

- SECURITY INCIDENT REPORTING. THIS AUDIT FOUND FAULT WITH THE DCPS SYSTEM FOR REPORTING AND FOLLOWING-UP ON VARIOUS TYPES OF SECURITY INCIDENTS THAT OCCURRED AT DISTRICT SCHOOLS. THESE INCIDENTS INCLUDED, BUT WERE NOT LIMITED TO AGGRAVATED ASSAULT, DRUG OFFENSES, VANDALISM, AND WEAPON OFFENSES.
- PHYSICAL SECURITY AT SELECTED SCHOOLS. IN ORDER TO TEST THE PHYSICAL SECURITY VULNERABILITIES OF DCPS SCHOOLS, THIS AUDIT EXAMINED THE CONTROLS OVER ACCESS TO 15 SCHOOLS, THE SURVEILLANCE CAPABILITIES, AND THE EFFECTIVENESS OF THE GUARD FORCE TO MAINTAIN PHYSICAL SECURITY AT THE SCHOOLS. WE FOUND THAT THE EFFECTIVENESS OF PHYSICAL SECURITY VARIED AMONG SCHOOLS BUT THAT THERE REMAINED SERIOUS PROBLEMS WITH MAINTAINING ADEQUATE PHYSICAL SECURITY IN THESE SCHOOLS. IN SOME OLDER SCHOOLS, WE FOUND THAT SCHOOL SECURITY POSED A SERIOUS CHALLENGE, DUE IN PART TO THE AGE AND PHYSICAL LAYOUT OF THE SCHOOL BUILDINGS, E.G., TOO MANY DOORS, BROKEN SURVEILLANCE EQUIPMENT AND OTHER PROBLEMS.
- BENCHMARKING SCHOOL SECURITY OF THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS. TO ADDRESS THE QUESTION OF HOW THE DISTRICT COMPARED TO OTHER CITY PROGRAMS FOR SCHOOL SECURITY, WE PERFORMED AN AUDIT WHICH COMPARED SEVERAL ATTRIBUTES OF THE DCPS SECURITY PROGRAM TO THESE SAME ATTRIBUTES IN SCHOOL SYSTEMS LOCATED IN FIVE OTHER MUNICIPALITIES. OF PARTICULAR INTEREST TO THE DCPS WAS OUR FINDING THAT DISCLOSED FOUR OF THE FIVE MUNICIPALITIES PROVIDED FOR IN-HOUSE VERSUS CONTRACTED SECURITY GUARD SERVICES AT WHAT APPEARED TO BE A REDUCED COST. WE ALSO FOUND OTHER MUNICIPALITIES PLACED GREATER RELIANCE ON LOCAL POLICE INVOLVEMENT IN SCHOOL SECURITY MATTERS.
- BACKGROUND AND TRAINING OF SECURITY PERSONNEL AT DCPS. THIS AUDIT EVALUATED WHETHER DCPS AND THE METROPOLITAN POLICE DEPARTMENT (MPD) PERFORMED ADEQUATE BACKGROUND SECURITY CHECKS AND PROVIDED PROPER TRAINING FOR CONTRACTED SECURITY GUARDS. THE AUDIT DID FIND SEVERAL CASES WHERE BACKGROUND CHECKS WERE PERFORMED BUT NOT

ADEQUATELY VETTED RELATIVE TO THE HIRING OF SEVERAL ACTIVE SECURITY GUARDS.

- CONTRACTOR BILLINGS FOR DCPS SECURITY SERVICES. WE FOUND THAT: (1) DCPS PAID DUPLICATE BILLINGS SUBMITTED BY THE SECURITY CONTRACTOR.; (2) THE SECURITY CONTRACTOR DID NOT REPLACE ABSENT SCHOOL SECURITY OFFICERS WITHIN THE 2-HOUR TIME LIMIT IMPOSED BY THE CONTRACT; (3) DCPS DID NOT SUFFICIENTLY REVIEW THE SCHOOL SECURITY CONTRACTOR'S MONTHLY INVOICES FOR ERRORS; AND (4) DCPS DID NOT ASSESS FEES FOR THE ABSENT SCHOOL SECURITY OFFICERS. IN ADDITION TO THE MONETARY IMPACT, ABSENT SCHOOL SECURITY OFFICERS POTENTIALLY COMPROMISED THE OVERALL SAFETY OF DCPS STUDENTS AND STAFF.

THE SCHOOL SECURITY PROBLEMS NOTED IN OUR AUDITS WERE INSTRUMENTAL, IN PART, IN THE DISTRICT DEVELOPING A COMPREHENSIVE PLAN FOR SCHOOL SECURITY. THE FOCAL POINT OF THE PLAN WAS TO GET INTERACTIVE INVOLVEMENT BETWEEN THE DCPS SECURITY DIVISION, SCHOOL PRINCIPALS, AND THE MPD SCHOOL SECURITY DIVISION TO TAKE ON NEW RESPONSIBILITIES FOR MONITORING, CONTROLLING AND IMPROVING SECURITY WITHIN THE SCHOOLS. THE EFFECTIVENESS OF THIS NEW INITIATIVE REMAINS UNCERTAIN AS A CORE ISSUE OF HOW BEST TO PROVIDE SCHOOL SECURITY SERVICES (IN HOUSE GUARDS VERSUS CONTRACTED SECURITY SERVICES) HAS YET TO BE RESOLVED AS WELL AS THE APPROPRIATE ROLE OF THE MPD IN SCHOOL SECURITY.

SYSTEMIC PROCUREMENT DEFICIENCIES

OUR PAST AUDITS HAVE IDENTIFIED SYSTEMIC DEFICIENCIES IN SEVERAL AREAS THAT INCLUDE PROCUREMENT AND PAYROLL.

- (1) DCPS AWARDED CONTRACTS WITHOUT EFFECTIVE COMPETITION. IN THE PAST SEVERAL YEARS, DCPS AWARDED CONTRACTS FOR DCPS SECURITY SERVICES USING QUESTIONABLE COMPETITIVE PRACTICES;
- (2) THERE WAS IMPORTANT CONTRACT DOCUMENTATION MISSING FROM THE CONTRACT FILES. KEY DOCUMENTATION SUCH AS SOLE-SOURCE JUSTIFICATIONS, PRE AND POST NEGOTIATION MEMORANDA AND OTHER CONTRACT RECORDS WERE OFTEN MISSING OR MISPLACED;

- (3) SOLE SOURCE JUSTIFICATIONS FOR SOME CONTRACTS WERE FAULTY AND, AT TIMES, THE SOLE-SOURCE JUSTIFICATION COULD NOT BE SUPPORTED BY THE SUPPORTING DOCUMENTATION, SUCH AS THE TECHNICAL ASSESSMENT;
- (4) DCPS USED UNDEFINITIZED, COSTLY LETTER CONTRACTS TO PROCURE SECURITY SERVICES FOR MANY YEARS;
- (5) LIKE OTHER AGENCIES IN THE DISTRICT THAT POSSESS INDEPENDENT PROCUREMENT AUTHORITY, DCPS DOES NOT HAVE AN EFFECTIVE PROCUREMENT TRAINING PROGRAM;
- (6) AS IS EVIDENT WITH MANY CONTRACTS PLACED THROUGHOUT THE DISTRICT, DCPS PERFORMS LITTLE EFFECTIVE CONTRACT ADMINISTRATION; AND
- (7) IN THE CASE OF ITS SECURITY CONTRACTS, DCPS CREATED UNAUTHORIZED COMMITMENTS BY ISSUING CONTRACT ACTIONS WITHOUT OBTAINING REQUIRED APPROVALS AND FUNDING AUTHORIZATIONS.

SYSTEMIC PAYROLL DEFICIENCIES

- (1) DCPS USES AN ANTIQUATED LEGACY PAYROLL SYSTEM (CAPPS) THAT WE BELIEVE CONTRIBUTES TO MANY PAYROLL PROBLEMS. DCPS'S PREVIOUS ATTEMPT TO REPLACE THIS SYSTEM ENDED IN COSTLY FAILURE. SOME OF THE PROBLEMS WITH CAPPS WERE REPORTED BY THE AUDITORS FOR THE DISTRICT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR 2005 WHO REPORTED CAPPS INABILITY TO TIMELY DETECT AND CALCULATE DISTRICT EMPLOYEE STEP INCREASES, REQUIRING DCPS TO USE A MANUAL PROCESS OUTSIDE OF THE NORMAL PAYROLL PROCESS. IN ADDITION, THE CAFR AUDITORS REPORTED THAT CAPPS DOES NOT HAVE THE CAPABILITY TO PREVENT CONTINUED PAYMENT OF BENEFITS TO EMPLOYEES NO LONGER EMPLOYED WITH THE DISTRICT GOVERNMENT;
- (2) DCPS USES SIGNIFICANT AMOUNTS OF OVERTIME IN SEVERAL LABOR CATEGORIES WHERE SOME INDIVIDUALS EARN NEARLY AS MUCH AS THEIR ANNUAL SALARY IN OVERTIME. CONDITIONS WHICH PERMIT THIS OVERTIME TO BE EARNED CAN BE PREVENTED WITH SUCH CHANGES AS MODERNIZING BOILER/PLANT SYSTEMS TO REDUCE OR ELIMINATE CUSTODIAN OVERTIME AND ADJUSTING DRIVER BUS SCHEDULES TO REDUCE OR ELIMINATE DRIVER OVERTIME; AND

- (3) WE HAVE OBSERVED QUESTIONABLE OVERTIME APPROVAL PROCESSES AND LESS THAN DESIRABLE RECORDKEEPING PRACTICES. FURTHER, THE CAFR AUDITORS REPORTED THAT OFFICIAL PERSONNEL FOLDERS DID NOT CONTAIN REQUIRED DOCUMENTATION AND THAT EMPLOYEE FOLDERS OFTEN DID NOT CONTAIN THE DOCUMENTATION AUTHORIZING A CHANGE IN THE EMPLOYEE'S STATUS.

THE DISTRICT'S CAPITAL IMPROVEMENT (CIP) PROGRAM IS OF VITAL IMPORTANCE FOR MAINTAINING A HEALTHY INFRASTRUCTURE AND LEARNING ENVIRONMENT THROUGHOUT THE SCHOOL SYSTEM. IN ADDITION, THE SIGNIFICANT ANTICIPATED INVESTMENT OF ABOUT \$700 MILLION IN SCHOOL RENOVATIONS AND NEW CONSTRUCTION OVER THE NEXT FEW YEARS MANDATES THAT WE MAINTAIN OUR OVERSIGHT EFFORTS IN THIS AREA. DISCUSSED BELOW IS OUR INITIAL EFFORT IN EVALUATING THE CIP.

CAPITAL IMPROVEMENT PROGRAM

WE RECENTLY ISSUED AN AUDIT OF THE MANAGEMENT OF DCPS CAPITAL PROJECTS. THE AUDIT EXAMINED THE DCPS CAPITAL CONSTRUCTION PROGRAM TO ASSESS THE PROGRESS DCPS WAS MAKING IN ASSUMING CAPITAL SCHOOL CONSTRUCTION PROJECTS. THIS RESPONSIBILITY RECENTLY SHIFTED FROM THE U.S. ARMY CORPS OF ENGINEERS TO THE DISTRICT. BASED ON OUR AUDIT RESULTS, WE ARE ENCOURAGED BY THE PROGRESS DCPS IS ALREADY MAKING TO BUILD THE SKILLS NEEDED TO MANAGE THIS PROGRAM.

WHILE DCPS'S ACTIONS TO TAKE RESPONSIBILITY FOR MANAGING THE CIP ARE PROMISING, WE DO PLAN TO DEVELOP AUDITS IN OUR FISCAL YEAR 2007 AUDIT PLAN THAT WILL EVALUATE VARIOUS ASPECTS OF THE CIP, INCLUDING THE PLANNING PROCESS, CONTRACTING AND ENGINEERING INFRASTRUCTURE, SELECTED CAPITAL IMPROVEMENT PROJECTS INITIATED BY DCPS AND OTHER RELATED CIP TOPICS.

ONGOING AND PLANNED AUDITS

WE WILL CONTINUE OUR INVOLVEMENT IN SCHOOL SECURITY ISSUES, AS WELL AS OTHER DCPS ISSUES COVERED IN OUR ONGOING AND PLANNED AUDITS. SOME CURRENT DCPS ONGOING AUDITS INCLUDE:

- SPECIAL EDUCATION FOR FOSTER CHILDREN. THE OBJECTIVE OF THE AUDIT IS TO ASSESS WHETHER DCPS AND THE CHILD AND FAMILY SERVICES AGENCY HAVE ADEQUATE ACCOUNTABILITY FOR SPECIAL EDUCATION CHILDREN ENTRUSTED TO THEIR CARE.

- MANAGEMENT OF OVERTIME PAY IN DCPS. THIS AUDIT ORIGINATED FROM A REQUEST TO REVIEW SIGNIFICANT AMOUNTS OF OVERTIME EARNED BY SCHOOL CUSTODIANS, BUS DRIVERS, AND FACILITIES AND OTHER DCPS PERSONNEL.
- ADEQUACY OF SECURITY FUNDING. THIS AUDIT WAS REQUESTED BY THE MAYOR TO ASSESS WHETHER THE FUNDING FOR SCHOOL SECURITY IS SUFFICIENT TO CARRY OUT THE PROGRAM. THE MAYOR ALSO ASKED THAT WE COMPARE THE METHOD FOR FUNDING THE DISTRICT'S SCHOOL SECURITY PROGRAM TO THE METHODOLOGIES AND SOURCES OF FUNDING FOR SCHOOL SECURITY IN COMPARABLE MUNICIPALITIES.
- TUITION AND RESIDENCY REQUIREMENTS. OF INTEREST TO THE DCPS SUPERINTENDENT, THIS AUDIT WILL DETERMINE WHETHER THE DISTRICT'S TUITION AND RESIDENCY POLICY IS EFFECTIVELY IMPLEMENTED.

EXAMPLES OF PLANNED DCPS AUDITS INCLUDE THE FOLLOWING TOPICS:

- TITLE I PROGRAM FUNDS ADMINISTERED BY DCPS¹. OUR AUDIT OBJECTIVES WILL BE TO DETERMINE WHETHER TITLE I FUNDS ARE ALLOCATED, MANAGED, AND USED IN AN EFFICIENT AND EFFECTIVE MANNER.
- FOLLOW-UP AUDIT ON PROCUREMENT PRACTICES AT DCPS. THIS AUDIT WILL EVALUATE THE EFFICIENCY AND EFFECTIVENESS OF DCPS PROCUREMENT PROCESS AND IMPLEMENTATION OF PAST RECOMMENDATIONS.
- MANAGEMENT OF TRUANCY AT DCPS. REQUESTED BY A DISTRICT COUNCILMEMBER, THIS AUDIT WILL EVALUATE THE EFFECTIVENESS OF THE DCPS PROGRAM FOR MANAGING UNAUTHORIZED STUDENT ABSENCES.
- FEDERAL COMMUNICATIONS COMMISSION GRANT FUNDS. THIS AUDIT WILL FOCUS ON WHETHER THE DISTRICT HAS TAKEN ADVANTAGE OF THESE GRANT OPPORTUNITIES AND HAS USED FUNDS APPROPRIATELY.

¹ THE PURPOSE OF THE TITLE I PROGRAM UNDER THE NO CHILD LEFT BEHIND ACT OF 2001 IS TO ENSURE THAT ALL CHILDREN HAVE A FAIR, EQUAL, AND SIGNIFICANT OPPORTUNITY TO OBTAIN A HIGH-QUALITY EDUCATION AND REACH, AT A MINIMUM, PROFICIENCY ON CHALLENGING STATE ACADEMIC ACHIEVEMENT STANDARDS AND STATE ACADEMIC ASSESSMENTS.

INVESTIGATIONS

IN ADDITION TO THE EFFORTS OF OUR AUDIT DIVISION, THE OIG INVESTIGATIONS DIVISION HAS CONDUCTED A BROAD RANGE OF CRIMINAL AND ADMINISTRATIVE INVESTIGATIONS INVOLVING DCPS OFFICIALS, EMPLOYEES, AND CONTRACTORS. FOR EXAMPLE, OUR INVESTIGATORS WERE INVOLVED IN THE WIDELY PUBLICIZED WASHINGTON TEACHER'S UNION (WTU) EMBEZZLEMENT CASE, WHICH WE WORKED JOINTLY WITH THE UNITED STATES ATTORNEY'S OFFICE (USAO) FOR THE DISTRICT OF COLUMBIA AND THE FEDERAL BUREAU OF INVESTIGATION. THAT CASE INVOLVED NEARLY \$5 MILLION IN TEACHERS UNION FUNDS AND RESULTED IN THE CONVICTIONS OF THREE FORMER WTU OFFICIALS FOR FRAUD, EMBEZZLEMENT, MONEY LAUNDERING, AND OTHER FEDERAL CHARGES.

OUR CRIMINAL INVESTIGATIONS HAVE FOCUSED MORE DIRECTLY ON THE MISUSE AND THEFT OF DCPS FUNDS AS WELL. AS RECENTLY AS FEBRUARY OF THIS YEAR, ONE OF THE CASES INVESTIGATED BY OUR OFFICE, IN CONJUNCTION WITH THE USAO, RESULTED IN A FEDERAL COURT INDICTMENT OF A FORMER DCPS BUSINESS MANAGER ON BRIBERY AND CONSPIRACY CHARGES. THIS OIG INVESTIGATION REVEALED THAT THE DCPS BUSINESS MANAGER, WHO HANDLED THE CONTRACTING DUTIES FOR SEVERAL D.C. ELEMENTARY SCHOOLS, STEERED MORE THAN \$360,000 TO TWO COMPANIES OWNED BY A DCPS CONTRACTOR IN EXCHANGE FOR APPROXIMATELY \$40,000. IN MANY INSTANCES, THE CONTRACTUAL WORK WAS NEVER PERFORMED. THE CONTRACTOR HAS ALSO PLED GUILTY TO BRIBERY CHARGES AND IS AWAITING SENTENCING. ANOTHER OIG INVESTIGATION REVEALED THAT A FORMER ELEMENTARY SCHOOL PRINCIPAL SPENT – FOR HER OWN PERSONAL USE - NEARLY \$10,000 IN FUNDS DEDICATED TO THE SCHOOL'S STUDENT ACTIVITY ACCOUNT. AS A RESULT OF THE INVESTIGATION, THE FORMER PRINCIPAL PLED GUILTY IN OCTOBER OF LAST YEAR, WAS SENTENCED IN DECEMBER, AND HAS FULLY REIMBURSED THE STUDENT ACTIVITY FUND.

IN ADDITION TO THESE CASES, THE OIG INVESTIGATIONS DIVISION IS CURRENTLY INVOLVED IN SEVERAL ONGOING INQUIRIES CENTERING ON THE DISTRICT'S PUBLIC AND CHARTER SCHOOLS, INCLUDING THE CASES CONCERNING FUNDING FOR CHARTER SCHOOL CAPITAL IMPROVEMENTS AND THE NEW SCHOOL FOR ENTERPRISE AND DEVELOPMENT. HOWEVER, BECAUSE THESE TWO INVESTIGATIONS ARE PENDING, I CANNOT COMMENT ANY FURTHER AT THIS TIME OTHER THAN TO ASSURE THIS COMMITTEE THAT MY OFFICE IS AN ACTIVE PARTICIPANT IN EACH MATTER.

OIG BLUEPRINT FOR ADDRESSING AND ASSISTING MANAGEMENT IN MITIGATING RISKS

THE OIG'S PLAN TO HELP MITIGATE RISK HAS FOUR MAIN COMPONENTS; EACH IS DISCUSSED BELOW.

(1) PERMANENT AUDIT SITE AT DCPS

WITH SCHOOLS BEING RECOGNIZED AS ONE OF THE HIGH PRIORITY ISSUES FOR THE CITY, WE REQUESTED AND RECEIVED ADDITIONAL FUNDING TO ESTABLISH A PERMANENT AUDIT SITE AT DCPS TO CONTINUOUSLY CONDUCT PLANNED AUDITS AND HAVE THE ABILITY TO RESPOND TO PRESSING, EMERGENT SCHOOL MATTERS.

BEGINNING THIS FISCAL YEAR, WE WILL BE DEVOTING A STAFF OF FOUR AUDITORS TO ON-SITE SCHOOL AUDITS. OUR AUDIT PLANS FOR THESE AUDITS (DISCUSSED EARLIER ABOVE) REFLECT INPUT FROM THE SCHOOL SUPERINTENDENT, SEVERAL DISTRICT COUNCIL MEMBERS AND OFFICIALS FROM THE MAYOR'S OFFICE. WE BELIEVE OUR EFFORTS IN THE SCHOOLS WILL HELP ADDRESS AND CORRECT SYSTEMIC DEFICIENCIES AND MEET THE NEED FOR ENHANCED OVERSIGHT OF THE DISTRICT'S SCHOOL PROGRAMS.

(2) AUDIT FOLLOW-UP

AUDITING STANDARDS EMPHASIZE THE IMPORTANCE OF FOLLOW-UP ON FINDINGS AND RECOMMENDATIONS FROM PRIOR AUDITS TO DETERMINE IF CORRECTIVE ACTIONS HAVE BEEN IMPLEMENTED. AUDIT RECOMMENDATIONS DO NOT PRODUCE THE DESIRED OUTCOMES UNLESS THEY ARE IMPLEMENTED. IN THIS REGARD OUR RESIDENT AUDIT SITE WILL ENABLE THE AUDIT TEAM TO AGGRESSIVELY FOLLOW-UP ON PAST RECOMMENDATIONS AND ADVISE SCHOOL OFFICIALS OF THE ACTIONS NEEDED TO RESOLVE RECURRENT DEFICIENCIES. HOWEVER, OUR MOST RECENT DISTRICT-WIDE FOLLOW-UP AUDIT DISCLOSED THAT DCPS NEEDS TO IMPROVE ON ITS EFFORTS TO IMPLEMENT CORRECTIVE ACTIONS ON AUDIT FINDINGS AND RECOMMENDATIONS. FOR EXAMPLE, OF THE 33 RECOMMENDATIONS WE FOLLOWED-UP ON RELATIVE TO DCPS, 30 OR 91 PERCENT REMAINED OPEN, MANY OVER 2 YEARS OLD. A SIGNIFICANT NUMBER OF THE OPEN RECOMMENDATIONS PERTAIN TO PROCUREMENT AND CONTRACTING ISSUES.

(3) COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

TO OVERSEE THE INDEPENDENT AUDIT OF THE CAFR, THE OIG ESTABLISHED AND CHAIRS THE CAFR OVERSIGHT COMMITTEE. THE COMMITTEE IS COMPRISED OF DISTRICT OFFICIALS WHO ARE INDEPENDENT OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO), INCLUDING REPRESENTATION FROM THE OIG, THE CITY COUNCIL, AND THE EXECUTIVE OFFICE OF THE MAYOR. REPRESENTATIVES FROM THE GAO, AS WELL AS REPRESENTATIVES FROM THE CFO, ATTEND MEETINGS. A SIGNIFICANT PORTION OF THE CONTRACTED AUDIT RESOURCES ARE DEVOTED TO REVIEWING DCPS FINANCIAL MATTERS. ADDITIONALLY, THE CAFR AUDITORS FOLLOW UP ON PAST CAFR AUDIT RECOMMENDATIONS. EXAMPLES OF REPEAT DEFICIENCIES INCLUDE RETROACTIVE PAYMENT OF SALARY STEP INCREASES, INSUFFICIENT TRACKING OF PERSONNEL MOVEMENT, AND MISSING INFORMATION FROM OFFICIAL PERSONNEL FOLDERS.

(4) WORKING RELATIONSHIPS AND COORDINATION

I THINK THAT THE DC-OIG AND THE DCPS HAVE A POSITIVE WORKING RELATIONSHIP AT THE EXECUTIVE AND SENIOR MANAGEMENT LEVELS. IN ADDITION, THE DCPS INTERNAL AUDIT FUNCTION HAS BEEN VERY COOPERATIVE WITH THE MEMBERS OF OUR DIVISIONS OF AUDIT AND INVESTIGATIONS. MOREOVER, WE COORDINATE WORK EFFORTS AND RECEIVE INPUT ON MATTERS RELATIVE TO DCPS FROM THE EXECUTIVE OFFICE OF THE MAYOR, CITY COUNCIL, GAO, FEDERAL IGS, AND THE OCFO INTERNAL AUDIT AND INVESTIGATIVE FUNCTION. THESE WORKING RELATIONSHIPS ENABLE US TO BETTER FOCUS OUR EFFORTS ON THE MOST CRITICAL AREAS CHALLENGING DCPS MANAGEMENT.

CONCLUSION

I WANT TO MAKE CLEAR THAT I BELIEVE THAT ONE OF THE MOST IMPORTANT ROLES OF MANAGERS IS TO IMPLEMENT RECOMMENDATIONS THAT THEY THEMSELVES ACKNOWLEDGE CAN HELP TO RECTIFY PROBLEMS. MY RESPONSIBILITY AS THE IG IS TO INFORM STAKEHOLDERS OF PROBLEM AREAS IDENTIFIED BY AUDITS AND INVESTIGATIONS, AND ABOUT PROGRESS IN IMPLEMENTING RECOMMENDATIONS THAT ULTIMATELY RESOLVE CRITICAL DEFICIENCIES. TO THAT END, I WILL TAKE VERY SERIOUSLY MY RESPONSIBILITY TO USE THE RESOURCES OF MY OFFICE TO CONTINUE TO PERFORM INDEPENDENT ASSESSMENTS OF DCPS OPERATIONS TO HELP PROVIDE A STRONG AND HEALTHY PUBLIC SCHOOL SYSTEM.

LASTLY, I BELIEVE THAT SESSIONS LIKE THIS CAN PROVIDE BENEFICIAL FEEDBACK TO MANAGEMENT PERSONNEL AND OVERSIGHT PERSONNEL, AND THEY CAN SERVE AS A PERMANENT RECORD OF ACTION ITEMS IDENTIFIED, RESOLUTIONS REACHED, AND MILESTONES ESTABLISHED FOR ALL PARTIES.

AGAIN, THANK YOU FOR PROVIDING ME THE OPPORTUNITY TO ADDRESS THIS MOST IMPORTANT ISSUE. WE'LL BE PLEASED TO RESPOND TO YOUR QUESTIONS AT THIS TIME.